

**Capital Improvements
Joint Bond Review Committee**

HUGH K. LEATHERMAN, SR.
SENATE
CHAIRMAN



SENATE MEMBERS
GLENN F. MCCONNELL
HUGH K. LEATHERMAN, SR.
HARVEY S. PEELER, JR.
WILLIAM H. O'DELL
THOMAS C. ALEXANDER

HOUSE MEMBERS
ANNETTE YOUNG
LANNY F. LITTLEJOHN
DANIEL T. COOPER
H.B. "Chip" LIMEHOUSE, III
GILDA COBB-HUNTER

ANNETTE YOUNG
HOUSE OF REPRESENTATIVES
VICE CHAIRMAN

GEORGE N. DORN
DIRECTOR OF RESEARCH
BUDGET AND CONTROL BOARD LIAISON
803-212-6688

LIB CROFT
ADMINISTRATIVE ASSISTANT
803-212-6732
FAX 803-212-6299

JOINT BOND REVIEW COMMITTEE MEETING

DATE: Wednesday, April 1, 2009

TIME: 9:00 AM

LOCATION: #207 Gressette Building

AGENDA

Page

1. DIV OF GEN SERVICES -----Dept of Commerce -----

1

(Mailed 3/25/09)

JOINT BOND REVIEW COMMITTEE

Meeting of April 1, 2009

Item Number 1

AGENCY: B/C Board - Division of General Services

PROJECT/SUBJECT: Lease Proposal --- Dept. of Commerce

The proposal submitted for the Department of Commerce to lease space in the Keenan Complex buildings was Carried Over at the Committee meeting of 2/18/09.

General Services Division has now submitted a new DOC lease proposal for space on the 15th and 16th floors of the Capitol Center Building at 1201 Main Street, Columbia. A total of 35,897 sf, located on a portion of the 15th floor and the entire 16th floor of the Capitol Center Building, will be leased from U.S. REIF/MJW Capitol Center Fee, LLC (landlord).

DOC's current lease of 45,962 sf at 1201 Main Street expires 9/30/09. The new lease amounts to a reduction of 10,065 sf and will save approximately \$155,772 in the first year. The anticipated savings over term is approximately \$1.6 Million.

The lease is for a term of 7 years commencing immediately upon approval of the request. Annual rent will average \$552,300.99 over term (\$15.39/sf). The total rent over term will be \$3,866,106.90. Lease payments will be made from a combination of State appropriations, Federal funding, Grant funds, and other departmental revenue. The agency will receive 135 parking spaces. Twenty-seven of the spaces will be reserved spaces at \$78.00 per month for which \$58.00 per space is included in the rent. The remaining 108 unreserved spaces are leased at \$55.00 per space for which \$35.00/space is included in the rent. Net parking cost to the employee is \$20.00.

The lease does not contain an option to purchase.

SC Code Section 1-11-56 requires review by the JBR Committee and approval of the B/C Board of any real property lease involving commitments of \$1 million or more in a five-year period.

The Division of General Services recommends approval of the lease proposal.

COMMITTEE ACTION:

Review the lease proposal for recommendation.

ATTACHMENTS:

Div of Gen. Services Lease Summary of 3/23/09.

/

STATE OF SOUTH CAROLINA
State Budget and Control Board
GENERAL SERVICES DIVISION

MARK SANFORD, CHAIRMAN
GOVERNOR

CONVERSE A. CHELLIS III, CPA
STATE TREASURER

RICHARD ECKSTROM, CPA
COMPTROLLER GENERAL



1201 MAIN STREET, SUITE 420
COLUMBIA, SOUTH CAROLINA 29201
(803) 737-3880

M. RICHBOURG ROBERSON
DIRECTOR

HUGH K. LEATHERMAN, SR.
CHAIRMAN, SENATE FINANCE COMMITTEE

DANIEL T. COOPER
CHAIRMAN, WAYS AND MEANS COMMITTEE

FRANK W. FUSCO
EXECUTIVE DIRECTOR

March 23, 2009

Mr. George N. Dorn
Gressette Office Building
Columbia, SC 29201

Re: Department of Commerce Lease

Dear Mr. Dorn:

Enclosed is a proposed agenda item for the April Joint Bond Review Committee (JBRC) meeting. As you know, in February, I recommended approval of a lease at 1330 Lady Street, at the Keenan Complex. JBRC carried this request over and did not approve it. Subsequent to that meeting, I solicited best and final offers from the two locations that Commerce considered, which were due Friday, March 13, 2009. As a result of that solicitation, the Commerce Department's current landlord submitted the most cost effective proposal. Consequently, I request to withdraw my previous agenda item seeking approval of the Keenan location and now request that JBRC approve a seven year lease at the Capitol Center in accordance with the enclosed agenda item.

Thank you for your consideration of this request.

Sincerely,

A handwritten signature in black ink, appearing to read "MRR".

M. Richbourg Roberson

cc: Carol Routh

JOINT BOND REVIEW COMMITTEE AGENDA ITEM WORKSHEET

Meeting Scheduled for: April 1, 2009

Regular Agenda

1. Submitted by:

- (a) Agency: General Services Division
- (b) Authorized Official Signature:


M. Richbourg Roberson, Director

2. Subject: Department of Commerce Lease of Capitol Center

3. Summary Background Information:

The Department of Commerce (DOC) requests approval to lease from U.S. REIF/MJW Capitol Center Fee, LLC (Landlord) a total of 35,897 square feet on a portion of the 15th floor and the entire 16th floor at its current location at the Capitol Center building located at 1201 Main Street in Columbia. Landlord is a Delaware limited liability company with its principal office in Chicago, Illinois.

DOC's current lease for 45,962 square feet expires September 30, 2009. The proposed lease will abate rent from January 1, 2009 on 5,863 square feet vacated by DOC on the 18th floor. Commerce presently occupies 40,099 square feet and plans to utilize that area until renovations to convert the proposed leased area to a more efficient and open landscape are completed. DOC will return to Landlord and cease to pay rent on 4,202 square feet upon completion of the renovations. After renovations are complete, DOC will realize a total reduction in space of 10,065 square feet. The proposed lease will save DOC approximately \$155,772 in the first year of the lease over its current lease agreement. The leased space will accommodate all of the needs of DOC to accomplish its mission.

The lease term will be seven years commencing immediately upon approval of the lease. Rent will be \$43,824.25 per month or \$525,891.05 per year (\$14.65 per square foot) fixed for the term of the lease.

Comparables of similar state agency office space leased in the Columbia area are as follows:

Lease Date	Agency/Location	Rate
8-07	Health & Human Services 1813 Main St., Suite 3-C	\$14.00
9-08	Office of Regulatory Staff 1401 Main St. 8 th & 9 th floors	\$13.50
3-07	Department of Insurance 1201 Main St., 10 th floor	\$15.62

The Landlords have committed to renovate and convert the leased space to a more open landscape workspace at their expense. In the attached garage, 135 parking spaces will be provided at a reduced rate of \$78 per space monthly for 27 reserved spaces and \$55 per space

monthly for 108 unreserved spaced. Of this cost, \$58 for each reserved space and \$35 for each unreserved space is included in the rent paid by DOC (\$39.60 average), and comprises \$1.79 per square foot of the annual rent. DOC's employees will pay \$20 per month for parking. The normal monthly rate for parking spaces at this location is \$105 per space for reserved parking and \$78 per space monthly for unreserved parking.

Operating cost increases are capped at three percent per year, beginning with the second year. Assuming operating expenses increase at three percent per year, the maximum rent over the term of the leases is as follows:

Year	Date	Base	Operating	Rate/SF	Rent
1	4-1-09	\$6.85	\$7.80	\$14.65	\$525,891.05
2	4-1-10	\$6.85	\$8.03	\$14.88	\$534,147.36
3	4-1-11	\$6.85	\$8.27	\$15.12	\$542,762.64
4	4-1-12	\$6.85	\$8.52	\$15.37	\$551,736.89
5	4-1-13	\$6.85	\$8.78	\$15.63	\$561,070.11
6	4-1-14	\$6.85	\$9.04	\$15.89	\$570,403.33
7	4-1-15	\$6.85	\$9.31	\$16.16	\$580,095.52
	Total				\$3,866,106.90
	Average			\$15.39	\$552,300.99

DOC has adequate funds for the lease according to a Budget Approval Form submitted March 19, 2009, which also includes a multi-year plan. Lease payments will be made from a combination of state appropriations, federal funding, grant administration funds and other departmental generated revenue. The space allocation of the new lease is 20,125 square feet of office space for 135 employees. The remaining 15,772 square feet is to be utilized for conference rooms, reception areas, copy/fax area, storage, file cabinets, work areas, break room/kitchenette area, computer server room and common areas.

No option to purchase the property is included in the leases. The Capitol Center Building was constructed in 1989. An environmental assessment dated June 16, 2008 recommends no further assessment is necessary. The leases were approved by Joe E. Taylor, Jr. Secretary of Commerce and by Zoran M. Urosevic on behalf of Landlord.

4. **What is JBRC asked to do?** Approve the proposed seven year lease.

5. **What is recommendation of the General Services Division?** Approval of the proposed lease.

6. **List of Supporting Documents:**

- (a) Letter from the Department of Commerce dated March 19, 2009
- (b) SC Code of Laws Sections 1-11-55 and 1-11-56

Mark Sanford
Governor

SOUTH CAROLINA
DEPARTMENT OF COMMERCE

Joe E. Taylor, Jr.
Secretary

March 19, 2009

Rich Roberson
Office of General Services
1201 Main Street, Suite 420
Columbia, SC 29201

Dear Mr. Roberson:

The South Carolina Department of Commerce requests the Joint Bond Review Committee and the State Budget and Control Board approve the following lease agreement for 35,897 rentable square feet of space at our current location of 1201 Main Street, Columbia, South Carolina.

Landlord:	U.S. REIF\MJW Capitol Center Fee, LLC
Lease Term:	Seven (7) years, October 1, 2009 – September 30, 2016
Square Feet:	35,897
Annual Rent 1 st Year:	\$525,891
Operating Expenses:	Included with operation expense escalation capped at 3% per year
Cost per sq. Ft.:	\$14.65 for the term of the lease

This location allows our agency to reduce required square footage by 22% by converting, where appropriate, to an open landscape to accommodate our accounting, grants management, and other end-user services. This lease will provide enough parking spaces in an attached parking facility to accommodate our entire staff at reduced market rates. Additionally, the Landlord has agreed to construct agency-requested improvements at its sole cost and expense.

This lease is for office space for employees of the South Carolina Department of Commerce. Our mission is to promote economic opportunity for individuals and businesses. As South Carolina's leading economic development agent, the Department of Commerce works to recruit new businesses and help existing businesses grow.

Chris Huffman, Chief Financial Officer, will attend any Joint Bond Review Committee and the State Budget and Control Board meeting when this request is considered. The lease will be funded with a combination of state appropriations, federal funds, and agency revenue accounts.

Please let me know if any additional information is needed.

Sincerely,


Chris Huffman
Chief Financial Officer

SECTION 1-11-55. Leasing of real property for governmental bodies.

- (1) "Governmental body" means a state government department, commission, council, board, bureau, committee, institution, college, university, technical school, legislative body, agency, government corporation, or other establishment or official of the executive, judicial, or legislative branches of this State. Governmental body excludes the General Assembly, Legislative Council, the Office of Legislative Printing, Information and Technology Systems, and all local political subdivisions such as counties, municipalities, school districts, or public service or special purpose districts.
- (2) The Budget and Control Board is hereby designated as the single central broker for the leasing of real property for governmental bodies. No governmental body shall enter into any lease agreement or renew any existing lease except in accordance with the provisions of this section.
- (3) When any governmental body needs to acquire real property for its operations or any part thereof and state-owned property is not available, it shall notify the Office of General Services of its requirement on rental request forms prepared by the office. Such forms shall indicate the amount and location of space desired, the purpose for which it shall be used, the proposed date of occupancy and such other information as General Services may require. Upon receipt of any such request, General Services shall conduct an investigation of available rental space which would adequately meet the governmental body's requirements, including specific locations which may be suggested and preferred by the governmental body concerned. When suitable space has been located which the governmental body and the office agree meets necessary requirements and standards for state leasing as prescribed in procedures of the board as provided for in subsection (5) of this section, General Services shall give its written approval to the governmental body to enter into a lease agreement. All proposed lease renewals shall be submitted to General Services by the time specified by General Services.
- (4) The board shall adopt procedures to be used for governmental bodies to apply for rental space, for acquiring leased space, and for leasing state-owned space to nonstate lessees.
- (5) Any participant in a property transaction proposed to be entered who maintains that a procedure provided for in this section has not been properly followed, may request review of the transaction by the Director of the Office of General Services or his designee.

SECTION 1-11-56. Program to manage leasing; procedures.

- The State Budget and Control Board, in an effort to ensure that funds authorized and appropriated for rent are used in the most efficient manner, is directed to develop a program to manage the leasing of all public and private space of state agencies. The board's regulations, upon General Assembly approval, shall include procedures for:
- (1) assessing and evaluating agency needs, including the authority to require agency justification for any request to lease public or private space;
 - (2) establishing standards for the quality and quantity of space to be leased by a requesting agency;
 - (3) devising and requiring the use of a standard lease form (approved by the Attorney General) with provisions which assert and protect the state's prerogatives including, but not limited to, a right of cancellation in the event of:
 - (a) a nonappropriation for the renting agency,
 - (b) a dissolution of the agency, and
 - (c) the availability of public space in substitution for private space being leased by the agency;
 - (4) rejecting an agency's request for additional space or space at a specific location, or both;
 - (5) directing agencies to be located in public space, when available, before private space can be leased;
 - (6) requiring the agency to submit a multi-year financial plan for review by the board's budget office with copies sent to Ways and Means Committee and Senate Finance Committee, before any new lease for space is entered into; and requiring prior review by the Joint Bond Review Committee and the requirement of Budget and Control Board approval before the adoption of any new lease that commits more than one million dollars in a five-year period; and
 - (7) requiring prior review by the Joint Bond Review Committee and the requirement of Budget and Control Board approval before the adoption of any new lease that commits more than one million dollars in a five-year period.